CENTURIA CAPITAL LIMITED
AND CONTROLLED ENTITIES

A.B.N. 22 095 454 336

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

Directors' Report
For the six months ended 31 December 2014

The directors of Centuria Capital Limited (the "Company") present the interim financial report of the Company and its controlled entities (the "Group") for the six months ended 31 December 2014.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the Company in office during or since the end of the six months are:

Name	**Particulars**	**Appointment Date**
R. W. Dobson	Non-Executive Director and Chairman	28 November 2007
P. J. Done	Non-Executive Director	28 November 2007
J. R. Slater	Non-Executive Director	22 May 2013
J. E. McBain	Executive Director and Chief Executive Officer	10 July 2006
J. C. Huljich	Executive Director	28 November 2007
N. R. Collishaw	Executive Director	27 August 2013

The above named directors held office during the entire six months and up to the date of this report.

Company secretaries

Mr Matthew Coy, Chief Financial Officer, was appointed Company Secretary in October 2009 and continues in office.

Mrs Lucy Rowe was appointed Company Secretary on 27 May 2014 and resigned on 28 August 2014.

Principal activities

The principal activities of the Group during the six months were the marketing and management of investment products (including friendly society investment bonds and property investment funds), management of Over Fifty Guardian Friendly Society Limited and management of a reverse mortgage lending portfolio.

Changes in state of affairs

In October 2014, the Company announced:

- the sale of its subsidiary, Over Fifty Insurance Pty Ltd for $5.2 million; and
- the sale of a large portion of its reverse mortgage portfolio, releasing $31.7 million cash to the Group (before transaction costs and taxation). The Group sold its variable rate reverse mortgages with a balance of $124.4 million and retained a $27.0 million portfolio of fixed rate reverse mortgages.

Both of these capital transactions were part of Centuria's long-stated strategic objectives to monetise non-core assets and promote greater clarity of Centuria's market positioning as a specialist investment manager.

Directors' Report
For the six months ended 31 December 2014

Operating and Financial Review

The Group recorded a consolidated net profit after tax for the six months ended 31 December 2014 of $7.604 million (six months ended 31 Dec 2013: $4.999 million).

Operational highlights for the respective divisions within the Group for the period were as follows:

Property Funds Management

- Centuria Metropolitan REIT ("CMA") successfully listed on the ASX on 10 December 2014 after being substantially oversubscribed. The market's initial response was positive and the stock garnered early investor support, closing at $2.10 on 31 December 2014, a 5% premium to its listing price of $2.00. The Company holds a 2.13% investment in CMA and a further 3.98% indirectly through the Centuria Growth Bond Fund. The listing of CMA completes the Company's long-stated strategic goal of broadening its property funds management offering to incorporate unlisted, wholesale and listed investment products.
- Centuria Property Funds Limited as Responsible Entity successfully launched Centuria 2 Wentworth Street Fund (the "Fund") in December 2014. The property, 2-10 Wentworth Street Parramatta, is located in the Parramatta CBD, which has Australia's lowest prime office vacancy rate and 82% of income is secured by NSW State Government leases. The Group was able to use its available capital to acquire Acquisition Units in the Fund to facilitate the Fund's acquisition of the property. The Fund is advanced in its equity raising to raise the capital required to redeem (and repay) all the Acquisition Units.
- Some significant sales took place during the half-year within the property funds managed by Centuria as the Group continued to capitalise on opportunities, including the sale of 441 St Kilda Road, Melbourne for $82.1 million, earning a 35% capital gain for investors, and the sale of the Citilink Business Centre in Brisbane for $62 million in line with the Centuria Office Fund No 2's defined exit strategy.
- Profit after tax for the division grew substantially to $4.736 million for the half-year ended 31 December 2014 (2013: $1.678 million), largely driven by transactional fees.

Investment Bonds

- Centuria Life launched the Implemented Portfolios Dynamic Asset Allocation Bond and the Mason Stevens Credit Bond Fund under the Centuria "TaxAstute Series". Both products have been received well by the marketplace and Centuria is seeing renewed interest in its growing range of investment bonds.
- The Company's key focus is on growing Funds under Management ("FUM") through creating new and innovative products that meet market demand, prudent investment decision making and maintaining informative and regular policyholder communication.
- FUM continued to grow modestly during the reporting period – FUM at 31 December 2014 was $715.9 million up from $714.4 million at 30 June 2014.
- Loss after tax for the division $0.181m was significantly impacted by the impairment of the seed capital invested in the Income Accumulation Fund (one of the Benefit Funds). The net after-tax impact was $2.196 million (impairment of $4.009 million, offset by a discounting adjustment of $0.872 million and tax impact of $0.941 million).

Directors' Report
For the six months ended 31 December 2014

Reverse Mortgages

- Over Fifty Seniors Equity Release Pty Ltd, a subsidiary of the Company, sold a portfolio of variable rate reverse mortgages at a slight premium to face value in October 2014. The sale represented the successful implementation of Centuria's previously announced strategy and released substantial cash to the Group, strengthening the Group's balance sheet and providing capital to expand core divisions and greatly simplifying the business model of the Group.
- The Group retained a portfolio of fixed rate reverse mortgages which are regarded as a non-core, lowly geared, long-term holding. The Group also retained the associated interest rate swaps which protect the Company's position by fixing the cost of borrowings that fund the remaining portfolio.

Dividends

An interim dividend of 2.0 cents per share franked to 100% was declared by the directors on 19 February 2015 in respect of the six months ended 31 December 2014.

Subsequent events

(a) Issue of Performance Rights

On 1 February 2015, the Company issued 1,831,926 Performance Rights under the Centurial Capital Limited Executive Incentive Plan.

Each Performance Right is an entitlement to one ordinary share in the company, subject to satisfaction, or waiver, of the relevant performance condition. The Performance conditions are measured over 3 years from 1 July 2014 to 30 June 2017 and are based on EPS and Key Strategic Goal measures.

The issuance of Performance Rights to Executive Directors was approved at the Company's Annual General Meeting on 27 November 2014.

(b) Interim Dividend

On 19 February 2015, the Company declared a dividend of 2.0 cents per share franked to 100%. The dividend is expected to be paid on 26 March 2015.

(c) Redemption of Acquisition Units

Subsequent to 31 December 2014, the Company has redeemed a further 5.275 million Acquisition Units in Centuria 2 Wentworth Street Fund for $5.275 million, with 8.360 million Acquisition Units yet to be redeemed.

Except for the matters above, no other matter or circumstance has arisen in the interval between 31 December 2014 and the date hereof that has significantly affected or may significantly affect:

(i) the Group's operations in the current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current or future financial years.

Directors' Report
For the six months ended 31 December 2014

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the six months ended 31 December 2014.

Rounding of amounts to the nearest thousand dollars

The Company is an entity of a kind referred to in ASIC Class Order 98/100, related to the "rounding off" of amounts in the Directors' Report and Interim Financial Report. Amounts in the Directors' Report and Interim Financial Report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the Directors.

R.W. Dobson	**P.J. Done**
Chairman	Director
	Chairman - Audit, Risk Management & Compliance Committee

Sydney

19 February 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Centuria Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Steven Gatt
Partner

Sydney

19 February 2015

Condensed consolidated statement of comprehensive income
For the six months ended 31 December 2014

	Note	Six months ended 31-Dec-14 $'000	31-Dec-13 $'000
Revenue	4(a)	22,332	20,574
Gains on sales of non-core assets	4(b)	5,194	-
Net revenue from Benefit Funds	4(c)	(1,141)	2,116
Share of gain/(loss) of associates		-	(25)
Total income		**26,385**	**22,665**
Finance costs	5	(2,322)	(5,290)
Employee benefits expense		(5,892)	(5,492)
Administrative and other expenses		(5,125)	(5,318)
Impairment of related party receivable		(4,009)	-
Unrealised gain arising from fair value movements of derivative financial instruments	10(a)	1,126	3,223
Profit before tax		**10,163**	**9,788**
Income tax expense relating to shareholders		(3,700)	(2,673)
Income tax benefit/(expense) relating to Benefit Funds	4(c)	1,141	(2,116)
Total income tax expense		(2,559)	(4,789)
Profit for the period		**7,604**	**4,999**
Other comprehensive income:			
Gain on cash flow hedges taken to equity		54	300
Income tax expense relating to components of other comprehensive income		(16)	(90)
Other comprehensive income for the year (net of tax)		38	210
Total comprehensive income for the period		**7,642**	**5,209**
Earnings per share			
From continuing operations:			
Basic (cents per share)		9.76	6.47
Diluted (cents per share)		9.64	6.47

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 1).

Condensed consolidated statement of financial position
As at 31 December 2014

		As at	
	Note	31-Dec-14 $'000	30-Jun-14 $'000
ASSETS			
Cash and cash equivalents	6	23,011	13,115
Trade and other receivables		9,764	11,004
Assets classified as held for sale	7	13,635	-
Financial assets at fair value through profit and loss	8	3,442	285
Other financial assets	8	45,052	170,321
Prepayments		726	1,421
Investment in associates		29	668
Plant and equipment		898	1,031
Assets in respect of Benefit Funds	11	396,053	411,238
Deferred tax assets		2,908	3,838
Intangible assets		53,025	53,025
TOTAL ASSETS		548,543	665,946
LIABILITIES			
Trade and other payables		5,376	5,750
Borrowings	9	12,831	126,236
Income tax payable		3,624	2,019
Derivative financial liabilities		18,008	14,967
Liabilities in respect of Benefit Funds	11	396,053	411,238
Provisions		1,230	1,185
TOTAL LIABILITIES		437,122	561,395
NET ASSETS		**111,421**	**104,551**
EQUITY			
Contributed equity		89,450	89,167
Retained earnings		767	767
Profits reserves		20,923	14,491
Cash flow hedge reserve		-	(38)
Share-based payment reserve		281	164
TOTAL EQUITY		**111,421**	**104,551**

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 1).

Condensed consolidated statement of changes in equity
For the six months ended 31 December 2014

	Contributed equity $'000	Retained earnings $'000	Profits reserve $'000	Cash flow hedge reserve $'000	Share-based payment reserve $'000	Total equity $'000
Balance at 1 July 2013	88,634	767	6,390	(381)	-	95,410
Profit for the six months	-	4,999	-	-	-	4,999
Other comprehensive income for the period	-	-	-	210	-	210
Total comprehensive income for the period	**-**	**4,999**	**-**	**210**	**-**	**5,209**
Transfer between reserves	-	(4,999)	4,999	-	-	-
Share based payment	-	-	-	-	-	-
Employee share scheme	530	-	-	-	-	530
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2013	**89,164**	**767**	**11,389**	**(171)**	**-**	**101,149**
Balance at 1 July 2014	89,167	767	14,491	(38)	164	104,551
Profit for the six months	-	7,604	-	-	-	7,604
Other comprehensive income for the period	-	-	-	38	-	38
Total comprehensive income for the period	**-**	**7,604**	**-**	**38**	**-**	**7,642**
Transfer between reserves	-	(7,604)	7,604	-	-	-
Share based payment	-	-	-	-	117	117
Employee share scheme	283	-	-	-	-	283
Dividends paid	-	-	(1,172)	-	-	(1,172)
Balance at 31 December 2014	**89,450**	**767**	**20,923**	**-**	**281**	**111,421**

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 1).

Condensed consolidated statement of cash flows

For the six months ended 31 December 2014

	Six months ended 31-Dec-14 $'000	Six months ended 31-Dec-13 $'000
Cash flows from operating activities		
Interest received	426	222
Management fees received	14,413	13,971
Rent, trust distributions and other income received	1,809	3,175
Benefit Funds net cash used in operating activities	(18,781)	(18,449)
Payments to suppliers and employees	(11,943)	(13,478)
Income tax (paid)/received	(1,438)	783
Net cash used in operating activities	(15,514)	(13,776)
Cash flows from investing activities		
Benefit Funds net cash provided by investing activities	64,070	19,838
Payments for plant and equipment	(42)	(516)
Acquisition of investments in managed funds	(16,640)	-
Net proceeds from sale of insurance subsidiary	4,873	-
Net cash provided by investing activities	52,261	19,322
Cash flows from financing activities		
Loans to related entities	-	(354)
Payment for share issue	-	530
Collections from reverse mortgage holders	10,505	14,351
Repayment of borrowings (reverse mortgages)	(6,867)	(9,577)
Interest paid on reverse mortgage borrowings	(3,301)	(4,256)
Proceeds from partial sale of reverse mortgage loan portfolio	126,566	-
Repayment of borrowings on sale of reverse mortgages loan portfolio	(94,864)	-
Repayment of borrowings (corporate)	(12,000)	-
Dividends paid	(1,172)	-
Financing costs paid on corporate borrowings	(429)	(546)
Net cash provided by financing activities	18,438	148
Net increase in cash and cash equivalents	55,185	5,694
Cash and cash equivalents at the beginning of the financial year	51,400	23,937
Cash and cash equivalents at 31 December	**106,585**	**29,631**
Cash attributable to shareholders	23,011	13,590
Cash attributable to benefit funds	83,574	16,041
	106,585	**29,631**

The notes on pages 10 to 21 are an integral part of these condensed consolidated interim financial statements.

The Consolidated result aggregates the financial results of the Group, including the Benefit Funds (refer to Note 1).

Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2014

1. General information

Centuria Capital Limited (the "Company") is a public company listed on the Australian Stock Exchange (trading under the symbol CNI), incorporated and operating in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company is required by AASB 10 *Consolidated Financial Statements* to recognise the assets, liabilities, income, expenses and equity of the benefit funds of its subsidiary, Centuria Life Limited (the "Benefit Funds"). The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the shareholders of the Company.

The Company is a for-profit entity and its principal activities are the marketing and management of investment products (including friendly society investment bonds and property investment funds), management of Over Fifty Guardian Friendly Society Limited and management of a reverse mortgage lending portfolio.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the period in accordance with the continuous disclosure obligations of the Australian Securities Exchange.

These interim financial statements were authorised for issue by the Company's Board of Directors on 19 February 2015.

(b) Significant accounting policies

The accounting policies adopted in these interim financial statements are consistent with those applied in the previous financial year. When the presentation or classification of items in the interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

The Group has not elected to adopt any new Australian Accounting Standards that have been issued but are not yet effective.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2014.

3. Operating Segments

The Group has currently has five reportable segments. These reportable segments are the divisions used to report to the Group's CEO and Board for the purpose of resource allocation and assessment of performance.

These reportable segments have changed from the prior period with Benefit Funds now reported as part of the Investment Bonds segment and Corporate now including the "Other", non-material investments that used to be reported separately.

The operations of the reportable segments are:

- Property Funds Management: management of listed and unlisted property funds through Centuria Property Funds Limited and Centuria Strategic Property Limited.
- Investment Bonds: management of the Benefit Funds of Centuria Life Limited and management of the Guardian Over Fifty Friendly Society Limited. The Benefit Funds include a range of financial products, including single and multi-premium investments.
- Reverse Mortgages: management of a reverse mortgage lending portfolio.
- Insurance: general, home and contents, motor vehicle and travel insurance agency.
- Corporate.

The accounting policies of reportable segments are the same as the Group's accounting policies.

Following is an analysis of the Group's revenue and results by reportable segment.

Six months ended 31 December 2014	Property Funds Management $'000	Investment Bonds [i] $'000	Reverse Mortgages [ii] $'000	Insurance [iii] $'000	Corporate [iii] $'000	Group $'000
Revenue						
Interest, dividends and distribution revenue	29	134	4,032	-	257	4,452
Management, performance, sale and other fees	12,288	4,950	-	-	-	17,238
Commissions, other income and gains	242	29	392	287	4,886	5,836
Net revenue from Benefit Funds	-	(1,141)	-	-	-	(1,141)
Total segment revenue	12,559	3,972	4,424	287	5,143	26,385
Segment profit/(loss) before tax	6,772	(1,010)	2,114	244	2,043	10,163
Income tax (expense)/benefit	(2,036)	829	(634)	(73)	(645)	(2,559)
Segment profit/(loss) after tax	**4,736**	**(181)**	**1,480**	**171**	**1,398**	**7,604**

(i) Loss after tax for the division $0.181m was significantly impacted by the impairment of the seed capital invested in the Income Accumulation Fund (one of the Benefit Funds). The net after-tax impact was $2.196 million (impairment of $4.009 million, offset by a discounting adjustment of $0.872 million and tax impact of $0.941 million).

(ii) The Reverse Mortgages segment result was impacted by the portfolio sale in October 2014 (refer to Note 4(b)).

(iii) The Insurance segment result was impacted by the sale of the Over Fifty Insurance Pty Ltd in October 2014 (refer to Note 4(b)). The Corporate segment result includes the gain on sale of the subsidiary.

Six months ended 31 December 2013	Property Funds Management $'000	Investment Bonds $'000	Reverse Mortgages $'000	Insurance $'000	Corporate $'000	Group $'000
Revenue						
Interest, dividends and distribution revenue	45	145	6,723	-	84	6,997
Management, performance, sale and other fees	7,633	5,292	-	-	-	12,925
Commissions, other income and gains	14	-	22	582	9	627
Net revenue from Benefit Funds	-	2,116	-	-	-	2,116
Total segment revenue	7,692	7,553	6,745	582	93	22,665
Segment profit/(loss) before tax	2,463	5,174	4,785	450	(3,084)	9,788
Income tax (expense)/benefit	(785)	(3,390)	(1,436)	(135)	957	(4,789)
Segment profit/(loss) after tax	**1,678**	**1,784**	**3,349**	**315**	**(2,127)**	**4,999**

Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2014

4. Revenue

(a) Group revenue (excluding Benefit Funds)

	Six months ended 31-Dec-14 $'000	31-Dec-13 $'000
Interest revenue - from reverse mortgages	3,993	6,723
Interest revenue - from other sources	426	273
Distribution revenue	33	1
Management fees from property funds	4,921	5,409
Sales fees	2,027	1,078
Incentive fees	4,439	-
Property acquisition fees	901	1,146
Management fees from Benefit Funds	4,950	5,292
Commission received	287	583
Other income	355	69
	22,332	20,574

(b) Gains on sale of non-core assets

	Six months ended 31-Dec-14 $'000	31-Dec-13 $'000
Gain on sale of Over Fifty Insurance Pty Ltd	4,873	-
Gain on sale of reverse mortgage loan portfolio	321	-
	5,194	-

In October 2014, the Company announced:

- the sale of its subsidiary, Over Fifty Insurance Pty Ltd for $5.2 million; and
- the sale of a large portion of its reverse mortgage portfolio, releasing $31.7 million cash to the Group (before transaction costs and taxation). The Group sold its variable rate reverse mortgages with a balance of $124.4 million and retained a $27.0 million portfolio of fixed rate reverse mortgages.

Both of these capital transactions were part of Centuria's long-stated strategic objectives to monetise non-core assets and promote greater clarity of Centuria's market positioning as a specialist investment manager.

Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2014

4. Revenue (continued)

(c) Benefit Funds revenue

	Six months ended	
	31-Dec-14	31-Dec-13
Income	$'000	$'000
Interest and dividends	5,629	5,872
Realised gains	604	2,794
Unrealised gains	2,719	5,676
Premiums (Discretionary Participation Features only)	2,450	2,880
Net movement in policyholder liabilities	14,891	13,071
	26,293	30,293
Expenses		
Claims (Discretionary Participation Features only)	21,144	24,293
Management fee expense	3,940	4,187
Bad debts - mortgage loans	2,350	(303)
	27,434	28,177
(Loss)/profit before tax	(1,141)	2,116
Income tax benefit/(expense)	1,141	(2,116)
Profit after tax	-	-

5. Finance costs

	Six months ended	
	31-Dec-14	31-Dec-13
	$'000	$'000
Corporate working capital facility	426	619
Reverse mortgage facility	2,765	4,459
Unwinding of discount on non-current related party receivable	(872)	176
Other finance costs	3	36
Gain on derivatives in a fair value hedge	(4,781)	(4,968)
Loss on financial assets in a fair value hedge	4,781	4,968
	2,322	5,290

6. Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	As at	
	31-Dec-14 $'000	30-Jun-14 $'000
Cash and cash equivalents	106,585	51,400
Attributable to shareholders	23,011	13,115
Attributable to Benefit Fund policyholders	83,574	38,285
Total	106,585	51,400

Under AASB 107 *Statement of Cash Flows*, the income, expenses, assets and liabilities of the Benefit Funds of Centuria Life Limited are included in the Group's statement of comprehensive income and statement of financial position and statement of cash flows. As a result, the Benefit Funds' cash is included in the Group's assets with a corresponding amount included in liabilities. The shareholders of the Group have no rights over the cash held in the Benefit Funds. Included in cash and cash equivalents attributable to shareholders are amounts held by Centuria Life Limited and Senex Warehouse Trust No.1 which is not readily available for use of $9.9 million (30 June 2014: $8.6 million).

7. Assets classified as held for sale

	As at	
	31-Dec-14 $'000	30-Jun-14 $'000
Acquisition Units in Centuria 2 Wentworth Street Fund (current asset)	13,635	-
	13,635	-

During the current reporting period, the Company acquired 100% of the Acquisition Units in Centuria 2 Wentworth Street Fund (“the Fund”) to seed the Fund and enable the acquisition of the underlying investment property.

It is not the intent of the Company to hold a significant long-term investment in the Fund, with the expectation that all Acquisition Units will be redeemed by 30 June 2015, hence the classification as “held for sale”.

Acquisition Units rank equally with Ordinary Units, except that the proceeds from the allotment of Ordinary Units may be used to redeem any Acquisition Units.

Subsequent to 31 December 2014, the Company has redeemed a further 5.275 million Acquisition Units in Centuria 2 Wentworth Street Fund for $5.275 million, with 8.360 million Acquisition Units yet to be redeemed as stated in Note 14 (c).

8. Financial assets

	As at 31-Dec-14 $'000	As at 30-Jun-14 $'000
Financial assets at fair value through profit and loss		
Unit trusts (non-current asset)	19	17
Unit trusts (related party) (non-current asset)	3,423	268
	3,442	285
Other financial assets		
Reverse Mortgages at amortised cost [(i)]	27,004	157,191
Reverse Mortgages (fair value) [(i)]	18,048	13,130
	45,052	170,321

(i) Whilst some mortgages are likely to be repaid during the next 12 months, Centuria does not control the repayment date and accordingly all amounts are treated as non-current.

The significant decrease in reverse mortgage assets is due to the sale of a large portion of the variable rate reverse mortgage portfolio. Refer to Note 4(b) for further details.

9. Borrowings

	As at 31-Dec-14 $'000	As at 30-Jun-14 $'000
Corporate working capital facility	-	12,000
Reverse mortgage bill facilities and notes (secured)	12,831	114,236
	12,831	126,236

The significant decrease in reverse mortgage borrowings is due to the repayment of borrowings following the sale of variable rate reverse mortgages. Refer to Note 4(b) for further details.

(a) Terms and conditions

The terms and conditions relating to the above facilities are set out below.

Corporate working capital facility

The Company entered into a new revolving cash advance facility with National Australia Bank during the reporting period to replace its previous working capital facility. The facility limit is $12.0 million, maturing 30 September 2016 and there was no amount drawn under the facility at reporting date.

Reverse mortgage bill facilities and notes – secured

At reporting date, the Group has $12.8 million (30 June 2014: $114.2 million) non-recourse notes on issue to the ANZ Bank, secured over the remaining reverse mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) maturing on 31 March 2016.

The facility limit is $18.0 million (30 June 2014: $150.0 million) and is reassessed every 6 months with a view to reducing the facility in line with the reduction in the reverse mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month. During the six months ended 31 December 2014, $6.9 million surplus funds have been applied against the facility (six months ended 31 December 2013: $9.6m) in addition to the $94.9 million repayment following the portfolio sale.

Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2014

9. Borrowings (continued)

(b) Facilities available

The Group has access to the following lines of credit:

	As at	
	31-Dec-14	**30-Jun-14**
	$'000	**$'000**
Corporate working capital facility	12,000	12,000
Amount used at reporting date	-	12,000
Amount unused at reporting date	12,000	-
Reverse mortgage bill facilities and notes (secured)	18,000	150,000
Amount used at reporting date	12,831	114,236
Amount unused at reporting date	5,169	35,764

10. Financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1, 2 and 3 in the period.

The consolidated results include the assets and liabilities of the Benefit Funds of Centuria Life Limited. The shareholders of the Company are not subject to the risks and rewards of the assets and liabilities held by the Benefit Funds, therefore this note does not include information in regards to the financial assets and financial liabilities held by the Benefit Funds (as set out in Note 11).

Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2014

10. Financial instruments (continued)

31 December 2014	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial asssets				
Cash and cash equivalents	Amortised cost	Not applicable	23,011	23,011
Trade and other receivables	Amortised cost	Not applicable	9,764	9,764
Assets classified as held for sale	Fair value	Level 2	13,635	13,635
Financial assets at fair value through profit and loss	Fair value	Level 2	3,442	3,442
Other financial assets - reverse mortgage loans (cost)	Amortised cost	Not applicable	27,004	37,175
Other financial assets - reverse mortgage (fair value)	Fair value	Level 3	18,048	18,048
			94,904	**105,075**
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	5,376	5,376
Borrowings	Amortised cost	Not applicable	12,831	12,831
Derivative financial liabilities - fixed-for-life interest rate swaps	Fair value	Level 3	18,008	18,008
			36,215	**36,215**

30 June 2014	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial asssets				
Cash and cash equivalents	Amortised cost	Not applicable	13,115	13,115
Trade and other receivables	Amortised cost	Not applicable	11,004	11,004
Financial assets at fair value through profit and loss	Fair value	Level 2	285	285
Other financial assets - reverse mortgage loans (cost)	Amortised cost	Not applicable	157,191	185,563
Other financial assets - reverse mortgage (fair value)	Fair value	Level 3	13,130	13,130
			194,725	**223,097**
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	5,750	5,750
Borrowings	Amortised cost	Not applicable	126,236	126,236
Derivative financial liabilities - non fixed-for-life interest rate swaps	Fair value	Level 2	892	892
Derivative financial liabilities - fixed-for-life interest rate swaps	Fair value	Level 3	14,075	14,075
			146,953	**146,953**

The Group determines Level 2 fair values for financial assets and liabilities without an active market based on broker quotes.

Level 2 fair values for simple over-the-counter derivatives are also based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the entity and counterparty where appropriate.

10. Financial instruments (continued)

Set out below is a reconciliation of Level 3 fair value movements of financial assets and liabilities.

The Level 3 financial asset held by the Group is the fair value of the residential mortgage receivables attributable to interest rate risk. The Level 3 financial liability held by the Group is the fixed-for-life interest rate swaps.

These two items are designed in a fair value hedging relationship, with the fair value movements on the swaps, offset by the fair value movements in the mortgage receivables (refer to Note 5). However, as the Group has only designed the fair value movements attributable to interest rate risk in the hedging relationship, any other fair value movements impact the profit and loss directly, such as credit risk movements. Items such as credit risk, cannot be designed in a hedging relationship.

(a) Reconciliation of Level 3 fair value measurements of financial assets and liabilities

Six months ended 31 December 2014	Residential mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2014	13,130	(14,075)	(945)
Total gains in profit or loss:			
Attributable to interest rate risk	4,918	(5,059)	(141)
Attributable to credit risk	-	1,126	1,126
Balance at 31 December 2014	**18,048**	**(18,008)**	**40**

Six months ended 31 December 2013	Residential mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2013	13,108	(18,323)	(5,215)
Total gains in profit or loss:			
Attributable to interest rate risk	(4,863)	4,553	(310)
Attributable to credit risk	-	3,223	3,223
Balance at 31 December 2013	**8,245**	**(10,547)**	**(2,302)**

(b) Significant assumptions used in determining fair value of financial assets and liabilities

The fair value of the 50 year residential mortgage loans and 50 years swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. Use is made of discounted cash flow analysis using the applicable yield curve out to 15 years, with the yield curve at 15 years employed as the best proxy for subsequent rates due to non-observable market data.

Mortality rates for males and females have been assumed to be consistent with 2013 Life Tables. Mortality improvements of 3% p.a. are assumed starting at age 70. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100. Joint life mortality is calculated based on last death for loans with joint borrowers. 50% of residential mortgage loan portfolio consists of joint lives.

11. Assets and liabilities in respect of Benefit Funds

	As at	
	31-Dec-14	30-Jun-14
	$'000	$'000
Assets relating to Benefit Fund policyholders are as follows:		
Cash	83,574	38,285
Trade and other receivables	785	638
Financial assets at fair value	307,471	368,897
Income tax receivable	4,223	3,418
	396,053	411,238
Liabilities relating to Benefit Fund policyholders are as follows:		
Trade and other payables	29	89
Policyholders' funds [(i)]	393,556	409,277
Deferred tax liabilities	2,457	1,872
Other liabilities	11	-
Total liabilities	396,053	411,238

[(i)] Included within policyholders' funds at 31 December 2014 is $8.4 million (30 June 2014: $17.8 million) of reserves of which $6.2 million (30 June 2014: $5.8 million) is seed capital repayable to Centuria Life Limited. This seed capital receivable by Centuria Life Limited has been impaired and discounted to present value. The carrying value in the books of Centuria Life Limited (and therefore the Group) at 31 December 2014 is $1.5 million (30 June 2014: $4.6 million).

12. Related party transactions

(a) Transactions with other related parties

	Six months ended	
	31-Dec-14	31-Dec-13
	$'000	$'000
Aggregate amounts received from related parties:		
Management and other fees:		
Centuria Life Limited Benefit Funds	3,940	4,187
Over Fifty Guardian Friendly Society Limited	1,010	1,105
Property Trusts	12,288	7,633
	17,238	12,925

Management fees are charged to related parties in accordance with the respective trust deeds and management agreements.

Terms and conditions of transactions with related parties

Investments in property trusts and benefit funds held by certain directors and director-related entities are made on the same terms and conditions as all other persons. Directors and director-related entities receive the same returns on these investments as all other investors and policyholders.

The Company and its related parties entered into transactions, which are insignificant in amount, with directors and their director-related entities in their domestic dealings and are made in arm's length transactions at normal market prices and on normal commercial terms.

The Group pays some expenses on behalf of related entities and receives a reimbursement for these payments.

12. Related party transactions (continued)

(b) Related party balances

The following balances were outstanding at the end of the financial period between the Group and its other related parties:

- Related party receivables of:
  - $640,239 in monthly management fees owing from the Benefit Funds (30 June 2014: $655,612)
  - $3,052,522 in monthly management fees and sale and performance fees from Property Trusts managed by the Group (30 June 2014: $1,788,885)
  - $1,713,425 for recovery of costs from the Property Trusts managed by the Group
  - $376,041 in monthly management fees from Over Fifty Guardian Friendly Society Limited (30 June 2014: $197,540)
  - $2,058,713 receivable from 339 Military Road Fund earning 10% p.a. (30 June 2014: $50,000)
  - $5,800,000 seed capital investment in the Income Accumulation Fund, impaired to $1,791,000 and present valued to $1,466,536 at 31 December 2014 (30 June 2014: $5,800,000 present valued to $4,588,392)
  - $370,000 seed capital investment in the Capital Guaranteed Bond Fund (short-term receivable) (30 June 2014: $nil)
  - $nil from Centuria Diversified Property Fund (30 June 2014: $979,051 earning 10% p.a.)

- Investments in associates:
  - 2,413,997 units in Centuria Direct Property Fund representing 5.589% of units on issue;

- Financial assets carried at fair value through profit or loss:
  - 141,531 units in Centuria Opportunity Fund 2 representing 0.69% of units on issue;
  - 40,490 units in Centuria Office Fund No. 2, representing 0.06% of units on issue;
  - 1,485 units in Centuria 2 Lincoln Street Fund, representing 0.01% of units on issue;
  - 1,685,020 shares in Centuria Metropolitan REIT, representing 2.13% of shares on issue;
  - 13,635,018 units in Centuria 2 Wentworth Street Fund, representing 50.40% of units on issue; and
  - 3,765 units in Centuria Diversified Direct Property Fund, representing 0.01% of units on issue.

The Benefit Funds have the following investments in Property Trusts managed by Centuria:

- Australian Property and Mortgage Bond Fund holds:
  - 1,458,635 units in 8 Australia Avenue Fund representing 7.69% of units on issue.
- Centuria Growth Bond Fund holds:
  - 3,113,000 units in Centuria 131-139 Grenfell Street Fund representing 28.92% of units on issue;
  - 9,843,702 units in Centuria Direct Property Fund representing 22.74% of total units; and
  - 2,843,520 shares in Centuria Metropolitan REIT, representing 3.98% of shares on issue.
- Centuria Income Accumulation Fund:
  - 6,914,484 units in Centuria Direct Property Fund representing 15.98% of total units.

Notes to the condensed consolidated interim financial statements
For the six months ended 31 December 2014

13. Dividends

	Six months ended			
	31-Dec-14		31-Dec-13	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Final dividend:				
Fully franked to 100%	1.50	1,172	-	-
	1.50	1,172	-	-

(i) The Company declared an final dividend in respect of the year ended 30 June 2014 of 1.50 cents fully franked to 100%. The final dividend had a record date of 12 September 2014 and was paid on 29 October 2014.

14. Subsequent events

(a) Issue of Performance Rights

On 1 February 2015, the Company issued 1,831,926 Performance Rights under the Centurial Capital Limited Executive Incentive Plan.

Each Performance Right is an entitlement to one ordinary share in the company, subject to satisfaction, or waiver, of the relevant performance condition. The Performance conditions are measured over 3 years from 1 July 2014 to 30 June 2017 and are based on EPS and Key Strategic Goal measures.

The issuance of Performance Rights to Executive Directors was approved at the Company's Annual General Meeting on 27 November 2014.

(b) Interim Dividend

On 19 February 2015, the Company declared a dividend of 2.0 cents per share franked to 100%. The dividend is expected to be paid on 26 March 2015.

(c) Redemption of Acquisition Units

Subsequent to 31 December 2014, the Company has redeemed a further 5.275 million Acquisition Units in Centuria 2 Wentworth Street Fund for $5.275 million, with 8.360 million Acquisition Units yet to be redeemed.

Except for the matters above, no other matter or circumstance has arisen in the interval between 31 December 2014 and the date hereof that has significantly affected or may significantly affect:

(i) the Group's operations in the current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current or future financial years.

Directors' Declaration
For the six months ended 31 December 2014

In the directors' opinion:

(a) the condensed consolidated interim financial statements and notes that are set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the six months ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

For and on behalf of the Board

R.W. Dobson
Chairman

P.J. Done
Director
Chairman - Audit, Risk Management & Compliance Committee

Sydney
19 February 2015

Independent auditor's review report to the members of Centuria Capital Limited

We have reviewed the accompanying interim financial report of Centuria Capital Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Centuria Capital Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Steven Gatt
Partner

Sydney

19 February 2015